

UNI SECURITIES AND L... 09059134

Washington, D.C. 20549

ANNUAL AUDITED REPORT FORM X-17A-5 PART III

OMB APPROVAL

OMB Number: 3235-0123

Expires: February 28, 2010 Estimated average burden hours per response..... 12.00

> sec file NUMBER 8- 496 53

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Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

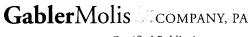
REPORT FOR THE PERIOD BEGINNIN	10 01012008	AND ENDING	12 31 2008
	MM/DD/YY		MM/DD/YY
A. F	REGISTRANT IDENTIFIC	CATION	
NAME OF BROKER-DEALER: Co.(c)	Ulina Financial Secu	cities, LLC	OFFICIAL USE ONLY
ADDRESS OF PRINCIPAL PLACE OF I	,	ox No.)	FIRM I.D. NO.
185 West Main S Brevard	Hreet		1. 10
	(No. and Street)		
Brevard	NC	ė	28712
(City)	(State)	(Zip Code)
NAME AND TELEPHONE NUMBER OF			PORT 38 - 8 8 3 - 4400
			(Area Code - Telephone Number
В. А	CCOUNTANT IDENTIFIC	CATION	
INDEPENDENT PUBLIC ACCOUNTAN	NT whose opinion is contained in	n this Report*	
Gabler Molis & Co., 32 Orange Street (Address)	PA		
·	(Name - if individual, state last, fi	irst, middle name)	
32 Orange Street	Asheville	NC	10886
(Address)	(City)	(State)	(Zip Code)
CHECK ONE:			
Certified Public Accountan	t		
. ☐ Public Accountant			
☐ Accountant not resident in	United States or any of its posse	essions.	
	FOR OFFICIAL USE O	NLY	
			1

^{*}Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

OATH OR AFFIRMATION

I, Nichola	s Crain Gilmore				, swear (or a	ffirm) that, to the best of
my knowledge an	my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of					
Casolina	Singarial Securit	ties LLC				, as
of Decem	ber 31	, 20_	O.	, are true and	l correct. I furt	ther swear (or affirm) that
neither the compa	any nor any partner, proprieto					
-	s that of a customer, except as					
0.00011100 001013						
				M	10 1	1 -
				<u> </u>	an p	
					Signature	
				CTIV	<i>YP</i>	
				476	Title	
Δ.·		. 1	. ••	WE COM	1100	
Herabe	th laine Shif	19	ELZ STRING	LAINE SHIP	And Andrews	
Not	ary Public		3.0	- A 600 A	W E	
			E.	MARY		
(a) Facing Pa	ntains (check all applicable bo	exes):		ار المال	× :	
(a) Facing Facing Facing (b) Statemen	t of Financial Condition		1/2	bab	À	
(c) Statemen	t of Changes in Stockholders'		20.74	(O)	77. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1.	
🗹 (d) Statemen	t of Changes in Financial Con	dition.	1100	VANIA	110	
(e) Statemen	t of Changes in Stockholders'	Equity or Pa	artners'	or Sole Propi	ietors' Capital.	
(i) Statemen	t of Changes in Liabilities Sur	bordinated to	Claims	of Creditors	•	
	tion of Net Capital.	.			1 15 2 2	
	tion for Determination of Rese					
 (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3. □ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the 						
Computa	tion for Determination of the	Reserve Regi	uiremen	ts Under Exh	ibit A of Rule	15c3-3.
☐ (k) A Recond	ciliation between the audited a	and unaudited	i Statem	ents of Finar	cial Condition	with respect to methods of
consolida						
" \ /	or Affirmation.					
	f the SIPC Supplemental Repo					
🔼 (n) A report of	lescribing any material inadequ	uacies found	to exist c	r tound to ha	ve existed since	the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



tel. 828.281.3161 htt 828.281.3164

32 Orange Street Asheville, NC 28801

Certified Public Accountants

To the Management and Members Carolina Financial Securities, LLC 185 West Main Street Brevard, NC 28712

In planning and performing our audit of the financial statements of Carolina Financial Securities, LLC for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Carolina Financial Securities, LLC's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5, thereunder, we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

Management Override of Controls

Although access to the accounting software package is password protected and limited to only a few in the organization, the possibility exists for management to override transactions or dates of transactions without evidence of an audit trail. During the audit, we did not identify any situations where this occurred.

Determination of Reserve Requirements Pursuant to Rule 15c3-3

Carolina Financial Securities, LLC relies on Rule 15c3-3(k)(2)(i) of the Securities and Exchange Act as the exemption from the requirement for the computation for Determination of Reserve Requirements pursuant to Rule 15c3-3. Specifically, the exemption states that "the provisions of this section [15c3-3] shall not be applicable to a broker or dealer who carries no margin accounts, promptly transmits all customer funds and delivers all securities received in connection with his activities as a broker or dealer, does not otherwise hold funds or securities for, or owe money or securities to, customers and effectuates all financial transactions between the broker or dealer and his customers through one or more bank accounts, each to be designated as "Special Account for the Exclusive Benefit of Customers of (name of the broker or dealer)".

Carolina Financial Securities, LLC conducts a business composed entirely of the private placement of unregistered securities with accredited and institutional investors. The firm does not receive customer funds, hold customer securities, or carry margin accounts. Per a review of the firm's Written Supervisory Procedures and supported by a review of the firm's Checks Received and Forwarded Blotter and bank statement, any checks that the firm receives from customers for investments in deals in which the firm is acting as Broker/Dealer are made payable to the issuer and are forwarded to the issuer on the same business day or, if unavoidable, the following business day by noon. In the event that the firm receives a check made payable to the Broker/Dealer, they return the check to the customer immediately and request that a new check be written in the name of the issuer. All subscription documents for customer investments are sent from the issuer to the investor.

This communication is intended solely for the information and use of management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties. We believe that this adequately addresses the question of Carolina Financial Securities, LLC compliance with the conditions of the exemption 15c3-3(k)(2)(i) on which the firm relies. If further information is required regarding this matter, please contact us as needed.

Sincerely,

Gold Mar FA
GablerMolis & Company, PA

January 20, 2009

CAROLINA FINANCIAL SECURITIES, LLC Brevard, North Carolina

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32 Orange Street Asheville, NC 28801 828.281.3161 828.281.3164

GablerMolis COMPANY, PA

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Manager and Members of Carolina Financial Securities, LLC Brevard, North Carolina

We have audited the accompanying balance sheet of Carolina Financial Securities, LLC, (a limited liability company), as of December 31, 2008, and the related statements of income and members' equity, cash flows, and net capital for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Carolina Financial Securities, LLC as of December 31, 2008, and the results of its operations and its cash flows and net capital for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gable MA + Cyp, PA
GablerMolis & Company, PA

Asheville, North Carolina

January 20, 2009

Balance Sheet December 31, 2008

Assets

Current assets:	\$	
Cash		19,830
Accounts receivable, net		4,000
Prepaid expense		143
Due from related party		62,500
Total current assets		86,473
Other assets:		
Property and equipment, net		10,077
Investments, at cost		7,591
Due from member		14,529
Total other assets	<u> </u>	32,197
Total assets	\$	118,670
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable and accrued expenses		2,584
Members' equity		116,086
Total liabilities and members' equity	_\$_	118,670

Statement of Income and Members' Equity For the Year Ended December 31, 2008

Income from fees	\$ 878,703
Less: direct cost of fees	733,392
Gross profit	 145,311
Operating expenses:	
Bad debt expense	21,000
Professional services	15,838
Rents and leases	9,321
Telephone	7,254
Insurance	5,346
Depreciation	4,470
Dues and subscriptions	2,393
Bank charges	2,252
Miscellaneous	2,165
Advertising	2,082
Office expenses and supplies	1,929
Printing and reproduction	1,755
Property taxes	1,180
Postage	1,143
Utilities	1,099
Repairs and maintenance	933
Donations	745
Employee retirement	600
Total operating expenses	 81,505
Income from operations	63,806
Other income (expense):	
Other income	7,500
Interest expense	 (4,511)
Total other income (expense)	 2,989
Net income	66,795
Members' equity, beginning of year	 63,291
Members' equity, end of year before distribution	130,086
Members' distribution	(14,000)
Members' equity, end of year	\$ 116,086

Statement of Cash Flows For the Year Ended December 31, 2008

Cash flows used by operating activities:	
Cash received from customers	\$ 881,005
Less cash paid for direct cost and operating expenses	(814,852)
	((152
Net cash provided by operating activities	66,153
Cash flows provided from investing activities:	
Purchase of property, improvements and equipment	(93)
Net cash used from investing activities	(93)
Cal flam from Engaging activities	
Cash flows from financing activities:	(62,500)
Advances to related party	• • •
Distributions to members	(14,000)
Net cash used from financing activities	(76,500)
2 000 00000 000 00 00 00 00 00 00 00 00	
Net decrease in cash and cash equivalents	(10,440)
Cash, beginning of year	30,270
Cash, end of year	\$ 19,830
Reconciliation of net income to net cash	
provided from operating activities:	
Net income	\$ 66,795
•	Ψ 00,795
Adjustments:	4,470
Depreciation	21,000
Bad debt expense	· ·
Increase in accounts receivable	(18,698)
Increase in investments	(7,500)
Decrease in prepaid expense	242
Increase in accounts payable	(156)
Net cash used by operations	\$ 66,153

Computation of Net Capital December 31, 2008

Total ass	ets	\$ 118,670
Total lial	pilities	2,584
Net wort	h	116,086
Petty c Account Prepaid Due from	nts receivable I expense om related party om members are, equipment, and leasehold improvements	(200) (4,000) (143) (62,500) (14,529) (10,077) (7,591) (99,040)
Net capi	tal	17,046
Minimu	m net capital requirement	5,000
Excess	s net capital	\$ 12,046
_	Ital previously reported by broker-dealer, aber 31, 2008 Increase for audited accounts receivable Increase for audited accrued payroll, taxes and commissions	\$ 17,046 - -
	Net adjustment	\$ 17,046
Audited	net capital	ψ 17,0 40

Notes to Financial Statements For the Year Ended December 31, 2008

Note 1 - Summary of Significant Accounting Policies

Nature of Business and Trade Name

The Company was formed and operates principally as a registered broker-dealer. The Company provides studies and analyses of customers' operations, prepares materials for distribution to prospective buyers or sellers in search of mergers or acquisitions, contacts and coordinates discussions with prospective candidates and assists in the reaching of financial closure. The Company operates under the trade name of Carolina Financial Securities, LLC, a North Carolina limited liability company.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments available for current use to be cash equivalents. Investments purchased with an original maturity of three months or less are considered to be cash equivalents.

Property, Improvements and Equipment

Property and equipment is recorded at cost. Costs associated with major acquisitions are capitalized and depreciated. Depreciation is provided over the estimated lives of the depreciable assets. Assets are generally depreciated on the straight-line method.

Revenue and Expense Recognition

Revenue is recognized upon agreement with the customer for services and upon billing for services. Expenses are recognized when incurred.

Income Taxes

The Company, with consent of its members, has elected under the Internal Revenue Code to be treated as a limited liability company. In lieu of corporate income taxes, the members of an LLC are taxed on their proportionate shares of the Company's taxable income. Therefore, no provision or liability for federal or state income taxes has been included in these financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

The Company believes the carrying amount of cash, accounts receivable, and other current assets, accrued expenses and other current liabilities approximates fair value due to their short maturity.

Notes to Financial Statements For the Year Ended December 31, 2008

Note 1 - Summary of Significant Accounting Policies - continued

Advertising Expense

Costs associated with advertising are charged to expense as incurred. Advertising expenses were \$2,082 for 2008.

Note 2 - Accounts Receivable

Following is a summary of receivables at December 31, 2008:

Trade receivables	\$	25,000
Less: allowance for doubtful accounts		(21,000)
	<u>\$</u>	4,000

The allowance for bad debts is comprised of all receivable balances outstanding in excess of 30 days. Bad debt expense for the year ended December 31, 2008 was \$21,000.

Note 3 - Property, Improvements and Equipment

The following is a summary of equipment and improvements - at cost, less accumulated depreciation:

Computer equipment	\$	81,776
Office furniture		44,979
Office equipment		4,081
Improvements		18,092
		148,928
Less: accumulated depreciation	(138,851)
Total	\$	10,077

Depreciation charged to operations was \$4,470 during the year ended December 31, 2008.

Note 4 - Retirement Plan

Effective in 1998, the Company adopted a 401(k) Profit Sharing Plan. The Plan is funded by pre-tax employee voluntary contributions made through salary reduction, and employer makes discretionary contributions for the benefit of the employee. The Company's contribution expense for the year ended December 31, 2008 was \$600.

Notes to Financial Statements For the Year Ended December 31, 2008

Note 5 - Related Party Transactions

The company advanced funds during prior years to the following related parties:

Bruce V. Roberts, member-

\$ 14,529

These advances have been classified as long-term assets with no specific terms of repayment.

During 2007, the Company entered into an expense sharing agreement with Carolina Financial Group, LLC, a related party, for their pro-rata portion of payroll related expenses, rent, utilities, administration, etc. Total fees charged for the year ended December 31, 2008 were \$391,171. These charges were coded to their respective expense accounts in the financial statements.

Note 6 – Operating Lease

In September 2008, the Company signed a six month lease agreement for office space in Asheville, North Carolina. The Company has a formal agreement to rent on a month to month basis following the expiration of the lease. Lease payments are \$400 per month. Rent expense for the year ended December 31, 2008 was \$9,321.

Note 7 - Concentrations

Accounts receivable at December 31, 2008 includes \$25,000 or 100% of total gross receivables from three clients. Revenues from three clients represented approximately \$799,802 or 91.2% of revenues for the year ended December 31, 2008.

Brevard, North Carolina

Audited Financial Statements

For the Year Ended December 31, 2008





Gabler Molis & COMPANY, PA

Certified Public Accountants